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December 28, 1999

Monica R. Borne
EllenAnn G. Sands

RECEIVED
ADMINISTRATIVE

DEC 28 1999

TN REGULATORY AUTHORITY

VIA AIRBORNE EXPRESS

Tennessee Public Service Commission
460 James Robertson Parkway
Nashville, Tennessee 37219

99-00991

Re: Application by International Exchange Communications, Inc. ("IE COM") and North American Telephone Network, L.L.C. for approval of Asset Transfer Agreement

Dear Sir or Madam:

On behalf of International Exchange Communications, Inc. ("IE COM") and North American Telephone Network, L.L.C. ("NATN"), enclosed please find an original and thirteen (13) copies of the referenced Application. Also enclosed is a check in the amount of \$25.00 representing the filing fee for this matter.

Please date stamp and return the enclosed extra copy of this letter in the envelope provided.

Please call me should you have any questions concerning this filing. Thank you for your assistance with this matter.

Sincerely,



EllenAnn Sands

EAS/rph

Enclosures

CK# 5338
Paid \$25.00

BEFORE THE TENNESSEE REGULATORY AUTHORITY

STATE OF TENNESSEE

**JOINT APPLICATION OF INTERNATIONAL
EXCHANGE COMMUNICATIONS, INC.
D/B/A IE COM AND NORTH AMERICAN
TELEPHONE NETWORK, L.L.C.
FOR APPROVAL OF AN ASSET TRANSFER
AGREEMENT**

DOCKET NUMBER

99-00991

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REGULATORY AUTH

99 DEC 28 AM 10

EXHIBIT SECRETARY

APPLICATION

International Exchange Communications, Inc. ("IE COM") and North American Telephone Network, L.L.C. ("NATN"), (sometimes referred to jointly herein as "Applicants"), pursuant to the applicable Statutes of Tennessee and the Regulatory Authority's Regulations currently in effect and/or subsequently enacted, hereby request approval of a proposed Asset Transfer Agreement (the "Agreement").¹ As will be described in more detail below, the Agreement contemplates the purchase by IE COM of the assets of NATN. IE COM proposes to acquire the customer accounts and related assets of NATN and to begin to provide long distance service to the customers of NATN under the Certificate of Public Convenience and Necessity, or other operating authority, previously issued to IE COM. As regulated telecommunications providers, IE COM and NATN hereby seek of the Agreement.

Approval of the Agreement will be beneficial to the involved companies as well as their customers. Following consummation of the Agreement and consolidation of the assets,

¹ A draft copy of the proposed Asset Transfer Agreement is attached as Exhibit "A." **Please Note:** The Agreement is between CTN Telephone Network, Inc. ("CTN") and NATN. CTN has assigned all of its rights under the Agreement to IECOM; consequently, IECOM is seeking Commission approval of the proposed Agreement herein.

IE COM will be able to provide communications services to its customers in a more efficient manner. Approval of the Agreement will not in any way be detrimental to the public interests of the State of Tennessee. The customers of both IE COM and NATN will continue to receive the same high quality service presently rendered to them. Additionally, no party to the Agreement will be given undue advantage over any other party.

In support of this Application, Applicants show the following:

I. THE PARTIES

1. IE COM is a Delaware corporation which is a wholly owned subsidiary of Pacific Gateway Exchange, Inc., a Delaware corporation which is publicly traded on the NASDAQ National Market (hereinafter "PGEX"). IE COM's principal offices are located at 533 Airport Blvd., Suite 505, Burlingame, CA 94010. IE COM is a non-dominant carrier that provides domestic and international long distance service with its own facilities or through resale of purchased services from various facilities based carriers pursuant to the FCC's *Competitive Carrier* policies and is authorized to provide local service in accordance with applicable state competitive local exchange service rules and regulations.

2. IE COM is authorized by the FCC to offer domestic interstate and international services in all fifty (50) states and the District of Columbia as a non-dominant carrier. IE COM currently originates interstate traffic in fifty (50) states, and provides intrastate service, pursuant to certification, registration or tariff requirements, or on an unregulated basis, in fifty (50) states. IE COM is a certificated interexchange carrier and local service provider in the State of Tennessee.²

² IE COM is certificated in this State, pursuant to authority granted in Docket No. 99-00048, dated September 14, 1999.

3. NATN is a privately held Georgia limited liability company with principal offices located at 4151 Ashford Dunwoody Road, Suite 675, Atlanta, GA 30319. NATN is a non-dominant carrier that resells domestic and international long distance service from various facilities based carriers pursuant to the FCC's *Competitive Carrier* policies.

4. NATN is authorized by the FCC to offer domestic interstate and international services in all fifty (50) states and the District of Columbia as a non-dominant carrier. NATN currently originates interstate traffic in forty-eight (48) states, and provides intrastate service, pursuant to certification, registration or tariff requirements, or on an unregulated basis, in forty-eight (48) states. NATN is a certificated carrier in the State of Tennessee.³

II. DESIGNATED CONTACT

5. The designated contact for questions concerning this Application is:

EllenAnn G. Sands
Nowalsky, Bronston & Gothard
A Professional Limited Liability Company
3500 North Causeway Boulevard
Suite 1442
Metairie, Louisiana 70002
Telephone: (504) 832-1984
Telefax: (504) 831-0892

6. Copies of such correspondence should also be sent to:

North American Telephone Network, L.L.C.
Attn: Hans Kasper
4151 Ashford Dunwoody Road, Suite 675
Atlanta, GA 30319
and

³ NATN is certificated in this State, pursuant to authority granted in Docket No. 96-00946, effective date January 8, 1997.

International Exchange Communications, inc.
Attn: Gail E. Granton
533 Airport Blvd., Suite 505
Burlingame, CA 94010

III. REQUEST FOR APPROVAL OF THE ASSET PURCHASE AGREEMENT

7. Applicants propose a transaction which will accomplish the following:

- a. NATN shall sell, transfer and assign to IE COM all of NATN's right, title and interest in and to NATN's assets, as defined in the Agreement;
- b. In consideration for the above transfer and sale of assets, IE COM will pay to NATN the purchase price set forth in the Agreement; and
- c. The assets to be purchased by IE COM include, to the extent permitted by this Commission, all of NATN's customer accounts.

8. IE COM is well-qualified to consummate the transaction which is the subject of this Application. Current financial information for IE COM is included in the financial statements of IE COM's publicly held parent company, PGEX, which is attached hereto as Exhibit "B".⁴

9. IE COM proposes this transaction to transfer and consolidate the customer accounts of NATN in order to create a single, larger provider of telecommunications facilitating efficiencies for the benefit of IE COM's customers. By virtue of these transactions, IE COM will realize significant economic, marketing and administrative efficiencies.

10. Following consummation of the transaction discussed above, all of the present customer accounts of NATN will be transferred to IE COM, and IE COM will continue to service these customers through and pursuant to the Certificate of Public Convenience and Necessity, or other operating authority, presently utilized by IE COM in servicing of its existing customers in

⁴ Exhibit "B" consists of PGEX's Financial Statement for the year 1999.

this State, to the extent permitted by the Regulatory Authority.⁵

11. The technical, managerial and financial personnel of NATN will assist with the transition and integration of the acquired Assets after the transaction, and along with the technical, managerial and financial personnel of IE COM, will continue to serve the transferred NATN customers with the same high level of expertise.

IV. PUBLIC INTEREST CONSIDERATIONS

12. Critical to the proposed transaction and consolidation of customer accounts is the need to ensure the continuation of high quality service to all customers currently served by NATN.

The proposed transaction will serve the public interest for the following reasons:

- a. It will enable IE COM to provide a streamlined level of service for all involved customers by creating a single, larger provider of telecommunications services to the customers in this State. The transaction will enhance the operating efficiencies, including market efficiencies, of IE COM.
- b. It will increase the appeal to present and potential customers because of IE COM's larger size and greater variety of service offerings as well as enhance the ability of IE COM to appeal to and serve national accounts.
- c. Finally, it will result in cost savings as the result of discounts on quantity ordering of materials and services.

13. Accordingly, the requested transaction and subsequent consolidation will serve to create a heightened level of operating efficiency which generally will serve to enhance the overall

⁵ Upon consummation of the proposed transaction, IE COM intends to notify all current end users of NATN of the event and that no customers of NATN will experience any change in rates due to the transaction by bill insert, a sample copy of which is attached hereto as Exhibit "C". To the extent that any present NATN rate products are eventually changed or are not presently included in IE COM's Tariffs, IE COM will amend its Tariffs accordingly to include such rates. As a result, the transaction should not cause any inconvenience or confusion to the pre-existing customers of either NATN or IE COM. In no event shall the customers of either NATN or IE COM incur any increase in rates presently enjoyed by them.

capacity of IE COM to compete in the marketplace and to provide telecommunications services for a greater number of Tennessee consumers at competitive rates.

14. Additionally, IE COM will possess a greater customer account base as the result of the proposed purchase of assets, and will thus be a stronger carrier to provide high quality service to all customers presently serviced by both IE COM and NATN.

V. EXPEDITED REVIEW

15. Applicants request expedited review and disposition of the instant Application in order to allow Applicants to consolidate their respective operations as soon as possible.

VI. NO TRANSFER OF CERTIFICATES

16. Applicants do not request transfer of NATN's Certificate of Public Convenience and Necessity, or other operating authority, to IE COM.

VII. CONCLUSION

17. WHEREFORE, for the reasons stated herein, Applicants respectfully request that the Regulatory Authority authorize IE COM and NATN to consummate the agreement described above. More specifically, Applicants request that the Regulatory Authority, on an expedited basis, approve the Agreement, the asset purchase transaction contemplated therein and the transfer of NATN's current customer accounts to IE COM.

DATED this 28th day of December, 1999

Respectfully submitted,



EllenAnn G. Sands
Nowalsky, Bronston & Gothard
A Professional Limited Liability Company
3500 North Causeway Boulevard
Suite 1442
Metairie, Louisiana 70002
(504) 832-1984
Counsel for International Exchange Communications,
Inc. ("IE COM") and North American Telephone
Network, L.L.C.

STATE OF California

COUNTY OF San Mateo

VERIFICATION

I, Sandra Grey, am the CFO/Vice President- Finance of International Exchange Communications, Inc., and am authorized to make this verification on its behalf. The statements made in the foregoing Application are true of my own knowledge, except as to those matters which are therein stated on information and belief, and as to those matters I believe them to be true.

By: _____

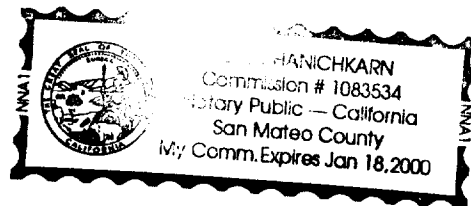
Name: Sandra Grey

Title: Vice President/Finance - CFO

Sworn to and subscribed before me, Notary Public, in and for the State and County named above, this 9th day of December, 1999

Notary Public

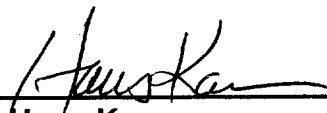
My commission expires: Jan. 18, 2000



STATE OF LOUISIANA
COUNTY OF ORLEANS

VERIFICATION

I, Hans Kasper, am the President of North American Telephone Network, L.L.C., and am authorized to make this verification on its behalf. The statements made in the foregoing Application are true of my own knowledge, except as to those matters which are therein stated on information and belief, and as to those matters I believe them to be true.

By: 
Name: Hans Kasper
Title: President

Sworn to and subscribed before me, Notary Public, in and for the State and County named above, this 22nd day of December, 1999


Notary Public

My commission expires: at death

Exhibit "A"
Asset Transfer Agreement

ASSET TRANSFER AGREEMENT

THIS ASSET TRANSFER AGREEMENT (the "Agreement") is made and entered into as of the _____ day of _____, between CTN Telephone Network, Inc., a California corporation ("CTN") and North American Telephone Network, LLC, a Georgia limited liability company ("NATN").

WHEREAS, one of the businesses conducted by NATN is the reselling of "1+" long distance telecommunications services that are billed through local exchange carriers ("LECs") and NATN has established a customer base and related assets (the "LEC billed 1+ Assets"), the rights to which it now desires to assign to CTN; and

NOW, THEREFORE, in consideration of the foregoing and the mutual promises, covenants, representations and warranties herein contained, it is hereby agreed as follows:

1. Transfer of Assets

1.1 Assets to be Transferred

Subject to the terms and conditions set forth in this Agreement, NATN agrees to transfer, assign and deliver to CTN, and CTN agrees to accept from NATN, all of NATN's right, title and interest in the LEC Billed 1+ Assets of NATN existing on the Closing Date including, but not limited to, all right, title and interest in:

(a) All end user long distance telecommunications customer accounts of NATN relating to the LEC Billed 1+ Assets which are mutually agreed to by the parties on or before the Closing Date and which are listed in an electronic format satisfactory to CTN (which electronic format shall include all customer accounts, whether currently active or inactive, in existence 60 days prior to the Closing Date) (the "Qualified Customer Accounts");

(b) All of NATN's rights under any agreements, application forms, term contracts, letters of agency and all other contractual instruments related to the Qualified Customer Accounts (collectively, the "Customer Contracts"), including but not limited to NATN's right to assert claims and take other lawful actions in respect of breaches, defaults and other violations of such Customer Contracts;

(c) All customer and other deposits held by NATN related to the Qualified Customer Accounts;

(d) The right to use the name "North American Telephone Network" or similar name for a period of up to six months (and for an additional six months thereafter, to the extent CTN reasonably demonstrates to NATN the need for such additional six month period) for the limited purpose of billing and otherwise servicing the accounts being transferred pursuant to this Agreement, but not for the purpose of adding new customers or undertaking any business activities in that name;

(e) All ancillary services relating to the Qualified Customer Accounts including but not limited to calling card, voicemail and "800" services; and

(f) All relationships and goodwill related to the Qualified Customer Accounts.

2. The Closing

2.1 Place and Date

The closing of the purchase and sale of the LEC Billed 1+ Assets (the "Closing") shall take place at the offices of CTN located at 701 "B" Street, Suite 1450, San Diego, California 92101, at or before _____, local time, on the earlier of _____, or the date that the conditions set forth in Section 7 hereof have been satisfied. The date of the Closing is herein referred to as the "Closing Date."

2.2 Transfer of Assets

(a) At the Closing and subject to the terms and conditions of this Agreement, NATN shall deliver to CTN the following, and simultaneously with such delivery, NATN shall take such action as may be necessary or reasonably requested by CTN to cause CTN to become an assignee and be in possession and control of the LEC Billed 1+ Assets:

(i) Such assignments or other instruments of transfer and assignment as shall be necessary to vest in CTN the right to transfer and sell the LEC Billed 1+ Assets to a third party, free and clear of all liens, claims and encumbrances;

(ii) Copies of resolutions of the members of NATN authorizing the execution, delivery and performance of this Agreement by NATN and a certificate of NATN's secretary, dated the Closing Date, that such resolutions were duly adopted and are in full force and effect;

(iii) A current list (in electronic format) of the Qualified Customer Accounts to be transferred; and

(iv) Such other certificates or other documents or instruments as CTN or CTN's counsel may reasonably request.

(b) At the Closing, as a condition to NATN's obligations under this Agreement, CTN shall deliver to NATN the following:

(i) The portion of the Purchase Price due pursuant to Schedule 2.3;

(ii) All instruments as may be reasonably necessary by which CTN assumes the obligations and liabilities to be assumed by it hereunder;

(iii) Copies of resolutions of the Board of Directors of CTN authorizing the execution, delivery and performance of this Agreement by CTN and a certificate of CTN's secretary, dated the Closing Date, that such resolutions were duly adopted and are in full force and effect; and

(iv) Such other certificates or other documents or instruments as NATN or NATN's counsel may reasonably request.

2.3 Purchase Price

The total consideration to be paid by CTN to NATN for the assignment of the LEC Billed 1+ Assets shall be as set forth on **Schedule 2.3** to this Agreement. The total consideration for the transfer of the LEC Billed 1+ Assets shall be hereinafter defined as the "Purchase Price".

2.4 Limitation on Assumption of Liabilities

CTN shall not be liable for any of the obligations or liabilities of NATN, of any kind or nature, that existed on or prior to the Closing Date. CTN agrees, effective on the Closing Date, to become responsible for any and all liabilities and obligations relating to the Qualified Customer Accounts and the Customer Contracts that have accrued or are to be performed from and after the Closing Date.

3. Representations and Warranties of NATN and Shareholder

NATN represents and warrants to CTN as follows:

3.1 Organization and Authority

NATN is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Georgia and has all requisite power and authority to own, operate and lease its properties and to carry on its business as now being conducted.

3.2 Authorization of Agreement

The members of NATN have duly authorized the execution and delivery of this Agreement by NATN and the transactions hereby contemplated, and, except as set forth on Schedule 3.2, no action, confirmation or ratification by any other person, entity or governmental authority is required in connection therewith. NATN has the power and authority to execute and deliver this Agreement, to consummate the transactions hereby contemplated and to take all other actions required to be taken by it pursuant to the provisions hereof. NATN has taken all actions required by law to authorize the execution and delivery of this Agreement. This Agreement is valid and binding upon NATN in accordance with its terms. Neither the execution and delivery of this Agreement nor the consummation of said transactions will constitute any violation or breach of the Articles of Organization or the Operating Agreement of NATN, or any order, writ, injunction, decree, law, rule or regulation applicable to NATN.

3.3 No Conflicts

To the best of NATN's knowledge, the execution, delivery and performance of this Agreement and the consummation of all of the transactions contemplated hereby: (i) do not and will not with or without the giving of notice or passage of time or both, violate, conflict with or result in a breach or termination of any provision of, or constitute default under, or accelerate or permit the acceleration of the performance required by the terms of, or result in a creation of any mortgage, security interest, claim, lien, charge or other encumbrance upon the LEC Billed 1+ Assets pursuant to, or otherwise give rise to any liability or obligation under any agreement, mortgage, deed of trust, license, permit or other agreement or instrument, or any order, judgment, decree, statute, regulation or any other restriction of any kind or description to which NATN is a party or by which NATN or the LEC Billed 1+ Assets may be bound; and (ii) will not terminate or result in the termination of any such agreement or instrument, or in any way affect or violate the terms and conditions of, or result in the cancellation, modification, revocation or suspension of, any rights in or to the LEC Billed 1+ Assets.

3.4 Title to Transferred Assets

NATN has, and on the Closing Date will have, good and marketable title to the LEC Billed 1+ Assets free and clear of all claims and encumbrances, except claims and encumbrances listed on **Schedule 3.4**.

3.5 Material Contracts

Except as disclosed on **Schedule 3.5** hereto, NATN is not a party to or bound by any material written or oral contracts, obligations or commitments related to the Qualified Customer Accounts, including any written or oral commitments to pay commissions or other compensation relative to the Qualified Customer Accounts. NATN has delivered or made available to CTN correct and complete copies of all of the contracts, agreements and other documents listed in **Schedule 3.5** hereto and all amendments thereto and waivers granted thereunder. The rights and interest of NATN in all such contracts and agreements may be assigned to CTN without the consent of any person, except as otherwise disclosed on **Schedule 3.5**, and at the Closing, CTN will acquire all such rights and interest. There are no unresolved disputes pending or, to the best knowledge of NATN, threatened under or in respect of any such contracts or agreements. All such contracts and agreements are valid and effective in accordance with their respective terms. Neither NATN nor any other party to such contracts or agreements has breached any provision of, or is in violation or default under the terms of, or has caused or permitted to exist any event of default under, any such contracts or agreements.

3.6 Customer Relationships

NATN has no knowledge that any active Qualified Customer Account has been terminated or is expected to be terminated, in whole or in part; provided, however, that this subsection shall not be construed as a representation, warranty, or guarantee that any such customer will, after the Closing, maintain its present business relationships with CTN. To the best of NATN's knowledge, no manager or officer of NATN has any direct or indirect interest in any such Qualified Customer Accounts.

3.7 Litigation: Compliance

(a) To the best of NATN's knowledge, except as disclosed on **Schedule 3.7(a)** hereto, there are no actions, suits, proceedings or arbitrations or governmental investigations pending or threatened against, by or affecting NATN (or to the best of the knowledge of NATN, any basis therefor) in which, individually or in the aggregate, an unfavorable determination could adversely affect the LEC Billed 1+ Assets or impede the execution or performance of this Agreement. NATN has not received any notice of any violation of any applicable Federal, State, local or foreign law, rule, regulation, ordinance, order or decree relating to the LEC Billed 1+ Assets, and NATN is not aware of any threatened claim of such violation or any basis therefor.

(b) To the best of NATN's knowledge, NATN has complied and is in compliance in all material respects with all laws, rules, regulations, ordinances, orders, decrees, writs, injunctions, or other governmental restrictions applicable to NATN, and the LEC Billed 1+ Assets.

(c) To the best of NATN's knowledge, NATN has all governmental licenses, permits, approvals or other authorizations presently required to service the Qualified Customer Accounts, all of which are in full force and effect and all of which are listed on **Schedule 3.7(c)** hereto.

3.8 Brokers, Finders, etc.

NATN has employed no finder, broker, agent or other intermediary in connection with the negotiation or consummation of this Agreement or any of the transactions contemplated hereby and no fee or other compensation shall become payable to any investment banker, financial advisor or broker of any kind upon the closing of the transactions contemplated hereby.

3.9 Disclosure

To the best of NATN's knowledge, no representation or warranty by NATN and no statement or certificate furnished or to be furnished by or on behalf of NATN to CTN pursuant to this Agreement or in connection with the transactions contemplated hereby contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading.

3.10 Disclaimer of Fraudulent Intent

NATN represents and warrants that the transactions described in this Agreement have been undertaken in good faith, considering its obligations to any person or entity to whom NATN owes a right to payment, whether or not the right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured (collectively such persons with such claims are called "**Creditors**" under this paragraph), and has undertaken these transactions without any intent to hinder, delay or defraud any such Creditors.

3.11 Protection of Qualified Customer Accounts.

NATN represents and warrants that it has used commercially reasonable efforts to ensure that all information related to the Qualified Customer Accounts, including, but not limited to, all customer lists, mailing lists, books, records, files, data, and letters of agency, have not been disclosed to anyone other than employees and agents of NATN or NATN's affiliates and that no such employee will possess, control or otherwise have any right to such information following the Closing of the transaction contemplated hereby.

4. Representations and Warranties of CTN

CTN represents and warrants to NATN as follows:

4.1 Corporate Status

CTN is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada with full corporate power and authority to carry on its business as now conducted.

4.2 Authority for Agreement The Board of Directors of CTN, pursuant to the power and authority legally vested in it, has duly authorized the execution, sealing and delivery of this Agreement by CTN and the transactions hereby contemplated, and no action, confirmation or ratification by the stockholders of CTN or by any other person, entity or governmental authority is required in connection therewith. CTN has the power and authority to execute, seal and deliver this Agreement, to consummate the transactions hereby contemplated and to take all other actions required to be taken by it pursuant to the provisions hereof. CTN has taken all actions required by law, its Certificate of Incorporation, its Bylaws or otherwise to authorize the execution, sealing and delivery of this Agreement. This Agreement is valid and binding upon CTN in accordance with its terms. Neither the

execution, sealing and delivery of this Agreement nor the consummation of said transactions will constitute any violation or breach of the Certificate of Incorporation or the Bylaws of CTN, or any order, writ, injunction, decree, law, rule or regulation applicable to CTN.

4.3 No Conflicts

To the best of CTN's knowledge, the execution, delivery and performance of this Agreement and the consummation of all of the transactions contemplated hereby: (i) do not and will not with or without the giving of notice or passage of time or both, violate, conflict with or result in a breach or termination of any provision of, or constitute a default under, or accelerate or permit the acceleration of the performance required by the terms of, or result in a creation of any mortgage, security interest, claim, lien, charge or other encumbrance upon any of CTN's assets pursuant to, or otherwise give rise to any liability or obligation under any agreement, mortgage, deed of trust, license, permit or other agreement or instrument, or any order, judgment, decree, statute, regulation or any other restriction of any kind or description to which CTN is a party or by which CTN or CTN's assets may be bound; and (ii) will not terminate or result in the termination of any such agreement or instrument, or in any way affect or violate the terms and conditions of, or result in the cancellation, modification, revocation or suspension of, any rights in or to the assets of CTN.

4.4 Use of NATN's Name

So long as CTN is using NATN's name pursuant to 1.1(d) above, CTN agrees to take all steps reasonably necessary to protect and preserve NATN's reputation, and to operate its business such that no person or entity will bring a complaint or file an action against NATN. This Section 4.4 includes but is not limited to the provision by CTN of quality customer service, the proper billing and crediting of all Qualified Customer Accounts under the NATN name, the prompt addressing of any and all complaints and inquiries, and the prompt provision of credits or refunds as appropriate.

5. Obligations Before Closing

NATN and CTN covenant that from the date of this Agreement and until the Closing Date:

(a) CTN and its counsel, accountants and other representatives shall have full access to all properties, books, accounts, records, contracts and documents of or relating to the LEC Billed 1+ Assets (including, but not limited to, billing records, customer service history, verbal letters of agency, tapes or written letters of agency), but CTN shall not have access to any information not related to the LEC Billed 1+ Assets. NATN shall furnish or cause to be furnished to CTN and its representatives all data and information concerning the LEC Billed 1+ Assets that may be reasonably requested. CTN agrees that, unless and until the Closing has been consummated, CTN and its officers, directors and other representatives will hold in strict confidence, and will not use to the detriment of NATN, all data and information with respect to NATN and NATN's business and operations obtained in connection with this Agreement or the transactions contemplated hereby. If the transactions contemplated by this Agreement are not consummated, CTN will return to NATN all data and information previously received by CTN, including all documents prepared or made available to CTN by NATN in connection with this Agreement.

(b) NATN will, with respect to the Qualified Customer Accounts, carry on its business and activities diligently and in substantially the same manner as they previously have been carried out and shall not make or institute any unusual or novel methods of management or operations to the detriment of CTN that vary materially from those methods used by NATN

as of the date of this Agreement relating to the Qualified Customer Accounts, without the prior written consent of CTN.

6. Covenants

6.1 Further Assurances

At any time and from time to time after the Closing Date, each party shall, without further consideration, execute and deliver to the other such other instruments of transfer and assumption and shall take such other action as the other may reasonably request to carry out the transfer of the LEC Billed 1+ Assets and the assumption of the specific liabilities contemplated by this Agreement.

6.2 Standstill; Public Announcement

Prior to the Closing or termination of this Agreement, NATN agrees not to directly or indirectly solicit, entertain or encourage offers or negotiate with any other person or entity regarding the purchase, sale, transfer or other assignment of the LEC Billed 1+ Assets. Neither party shall make any public announcement with respect to the subject matter of this Agreement without the prior written consent of the other party.

6.3 Consents

CTN shall use commercially reasonable efforts to assist NATN in obtaining all consents, waivers or other authorizations necessary to consummate the transactions contemplated hereby, including the approval of the relevant State Public Utilities Commissions ("State PUC's").

6.4 Bulk Sales

CTN and NATN hereby agree to waive compliance with any and all applicable bulk sales laws.

6.5 NATN's Continuing Obligations

To the extent CTN, prior to the Closing Date, enters into an agreement or other arrangement to transfer the Qualified Customer Accounts to a third party, NATN agrees to assist CTN and such third party in effectuating such transfer and sale. The intent of this Section 6.5 is to have NATN provide necessary assistance to such third party to obtain FCC and State PUC approval, and the like, in the same manner and to the same extent it would provide such assistance to CTN should CTN not enter into any such arrangement prior to the Closing Date. In the event CTN enters into such an arrangement prior to the Closing Date, the term "CTN" as used herein shall in appropriate circumstances also encompass such transferee.

7. Conditions Precedent

7.1 Conditions to Obligations of CTN

The obligation of CTN to pay the Purchase Price to NATN and to satisfy its other obligations hereunder shall be subject to fulfillment (or waiver by CTN) at or prior to the Closing, of the following additional conditions, which NATN agrees to use its best efforts to cause to be fulfilled.

(a) **Representations, Performance**

The representations and warranties of NATN contained in Section 3 hereof shall be true in all material respects at and as of the Closing Date, except as affected by the transactions contemplated hereby. NATN shall have duly performed and complied with all agreements and conditions required by this Agreement to be performed, or complied with, by it prior to or on the Closing Date. There shall have been no material adverse change in the Qualified Customer Accounts taken as a whole.

(b) **Company Proceedings**

All company and other proceedings of NATN in connection with the transactions contemplated by this Agreement and all document and instruments incident to such proceedings, shall be reasonably satisfactory in substance and form to CTN, and CTN shall have received all such documents and instruments or copies thereof.

(c) **Approval of State PUC's**

All necessary State PUC's shall have granted any and all consents, waivers or other authorizations and approvals necessary to consummate the transactions contemplated hereby.

(d) **Removal of Liens from Underlying Carrier**

CTN, in its sole discretion, shall be satisfied that NATN has removed any and all liens placed on the LEC Billed 1+ Assets by any and all of NATN's underlying service carriers and other creditors.

7.2 Conditions to Obligations of NATN

The obligations of NATN to undertake the assignment and transfer contemplated hereunder and to satisfy NATN's other obligations hereunder shall be subject to the fulfillment or waiver by NATN, on or prior to the Closing Date of the following conditions, which CTN agrees to use its best efforts to cause to be fulfilled:

(a) **Representations, Performance**

The representations and warranties of CTN contained in Section 4 hereof shall be true at and as of the Closing Date. CTN shall have duly performed and complied with all agreements and conditions required by this Agreement to be performed, or complied with, by it prior to or on the Closing Date.

(b) **Corporate Proceedings**

All corporate and other proceedings in connection with the transactions contemplated by this Agreement, and all documents and instruments incident thereto, shall be satisfactory to NATN and NATN shall have received all such documents and instruments, or copies thereof.

8. Indemnification; Manner of Claims

8.1 Indemnification

(a) **NATN Indemnification**

From and after the Closing Date, NATN will indemnify CTN against, and hold CTN harmless from, any and all liability, damage, deficiency, loss, cost or expense (including reasonable attorney's fees) that is based upon or that arises out of (i) any misrepresentation or breach of any representation, warranty or agreement made by NATN herein, (ii) any obligation, debt or liability of NATN to the extent that the same is not expressly assumed herein by CTN, or (iii) the use and ownership of the LEC Billed 1+ Assets on or prior to the Closing Date, (vi) NATN's use of invalid letters of agency/authorization, (v) unauthorized transacting of business by NATN without all necessary state and federal authority or permission, and (vi) any act or omission of any agent, servant or representative of NATN which is in violation of any law, rule, regulation, administrative decision or pronouncement of the FCC or any State PUC, including but not limited to any applicable FCC or State PUC rule regarding customer slamming and cramming.

(b) **CTN Indemnification**

From and after the Closing Date, CTN will indemnify NATN against, and hold CTN harmless from, any and all liability, damage, deficiency, loss, cost or expense (including reasonable attorney's fees) that is based upon or that arises out of (i) any misrepresentation or breach of any representation, warranty or agreement made by CTN herein, (ii) any obligation or liability of NATN assumed by CTN pursuant to Section 2.4 of this Agreement, (iii) the use and ownership of the LEC Billed 1+ Assets from and after the Closing Date, (iv) CTN's use of the NATN name after the Closing Date, (v) CTN's use of invalid letters of agency/authorization, (vi) unauthorized transacting of business by CTN without all necessary state and federal authority or permission, and (vii) any act or omission of any agent, servant or representative of CTN which is in violation of any law, rule, regulation, administrative decision or pronouncement of the FCC or any State PUC, including but not limited to any applicable FCC or State PUC rule regarding customer slamming and cramming.

8.2 Manner of Claims

Any notice of a claim by reason of a breach of any of the representations, warranties or agreements contained in this Agreement shall state specifically the representation, warranty or agreement with respect to which the claim is asserted, and the amount of liability asserted against the other party by reason of the claim.

9. Miscellaneous

9.1 Consents of Third Parties

This Agreement shall not constitute an agreement to assign any interest in any instrument, contract, lease, permit or other agreement or arrangement of NATN, or any claim, right or benefit arising thereunder or resulting therefrom, if any assignment without the consent of a third party would constitute a breach or violation thereof or adversely affect the rights of CTN or NATN thereunder. If a consent of a third party which is required in order to assign any instrument, contract, lease, permit or other agreement or arrangement or any claim, right or benefit arising thereunder or resulting therefrom, which consent NATN shall use commercially reasonable efforts to obtain prior to the Closing, is not obtained prior to the Closing, or if an attempted assignment would be ineffective or would adversely affect the

ability of NATN to convey its interest to the CTN, NATN will cooperate with CTN in any lawful and economically feasible arrangement to provide that CTN shall receive NATN's interest in the benefits under any such instrument, contract, lease, permit or other agreement or arrangement; and any transfer or assignment to CTN by NATN of any interest under any such instrument, contract, lease, permit or other agreement or arrangement that requires the consent of a third party shall be made subject to such consent or approval being obtained.

9.2 Expenses

Each of the parties hereto shall bear its own expenses, costs and fees (including attorney's fees) in connection with the transactions contemplated hereby, including the preparation and execution of this Agreement and compliance herewith, whether or not the transactions contemplated hereby shall be consummated.

9.3 Severability

If any term or provision of this Agreement shall be held or deemed to be, or shall in fact be, inoperative or unenforceable as applied in any particular case because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the term or provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever, but such term or provision shall be deemed modified or deleted as or to the extent required by applicable law. The invalidity of any one or more phrases, sentences, clauses, sections, or subsections of this Agreement shall not affect the remaining portions of this Agreement.

9.4 Notices

Any notices or other communications required under this Agreement shall be in writing, shall be deemed to have been given when delivered in person, by telex or telecopier, when delivered to a recognized next business day courier, or, if mailed, when deposited in the United States first class mail, registered or certified, return receipt requested, with proper postage prepaid, addressed as follows or to such other address as notice shall have been given pursuant hereto:

If to NATN:

North American Telephone Network, LLC
Attention: James Noble
4151 Ashford Dunwoody Road, Suite 675
Atlanta, Georgia 30319
Telecopier: (404) 851-1421
Telephone: (404) 851-1331

With a copy to:

Charles Ganz, Esquire
Sutherland, Asbill & Brennan LLP
999 Peachtree Street N.E.
Suite 2300
Atlanta, GA 30309

Telecopier: (404) 853-8806
Telephone: (404) 853-8000

If to CTN:
CTN Telephone Network, Inc.
Attention: Charles W. Becker
701 "B" Street, Suite 1450
San Diego, CA 92101
Telecopier: (619) 702-5477
Telephone (619) 699-5382

9.5 Amendment

This Agreement may not be amended except by an instrument in writing, duly executed and delivered on behalf of each of the parties hereto.

9.6 Waiver

Any party may waive compliance by another with any of the provisions of this Agreement. No waiver of any provisions shall be construed as a waiver of any other provision. Any waiver must be in writing.

9.7 Counterparts

This Agreement may be executed in multiple counterparts, each of which shall be deemed an original agreement, and all of which taken together shall constitute one agreement, notwithstanding that all of the parties are not signatories to the original or to the same counterpart.

9.8 Assignment

Any assignment of this Agreement or the rights or obligations hereunder by any party without the prior written consent of the nonassigning parties shall be void. Notwithstanding the foregoing, (a) either party may assign all or any part of its rights and/or obligations to one or more affiliates, subsidiaries, parent companies or shareholders of said party and (b) CTN may assign its rights and obligations to any transferee of all or substantially all of the LEC Billed 1+ Assets. No such assignment shall relieve the assigning party of any of its obligations or duties under this Agreement.

9.9 Costs

In the event any action is instituted to enforce or interpret the terms of this Agreement or arises out of this Agreement, the party prevailing in such action shall be entitled to recover its reasonable attorney's fees and costs as determined by the court.

9.10 Entire Agreement: Applicable Law, etc.

This Agreement constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof. This Agreement shall be governed in all respects, including validity, interpretation and effect, by the laws of the State of California applicable to contracts made and to be performed in California.

9.11 Arbitration

Any controversy or claim arising out of or relating to this Agreement, or the breach hereof, shall be submitted to and settled by arbitration in accordance with this Section. Arbitration will be by a single arbitrator experienced in the matters at issue and selected by NATN and CTN in accordance with the Commercial Arbitration Rules of the American Arbitration Association (the "Rules"). The arbitration will be held in such place in the Atlanta, Georgia metropolitan area as may be specified by the arbitrator (or any place upon which NATN, CTN and the arbitrator may agree), and will be conducted in accordance with the Rules and (regardless of any other choice of law provision in this Agreement) the United States Arbitration Act (9 U.S.C. §§ 1-16) to the extent not inconsistent with this Agreement. The decision of the arbitrator will be final and binding as to any matters submitted under this Section; and, if necessary, any decision may be entered in any court of record having jurisdiction over the subject matter or over the party against whom the judgment is being enforced. The determination of which party (or combination of them) will bear the costs and expenses of such arbitration proceeding will be determined by the arbitrator. The arbitrator will have the discretionary authority to award that all or part of the reasonable attorneys' fees of one party in connection with the arbitration will be reimbursed by another party.

9.12 Industry Terms and Phrases

All terms and phrases unique to the telecommunications industry and used within this Agreement shall be defined in accordance with the everyday meaning assigned to such terms and phrases within the industry.

10. Termination

10.1 Mutual Consent.

This Agreement may be terminated at any time prior to the Closing by mutual consent of NATN and CTN, expressed by action of the Board of Directors of CTN and the members of NATN.

10.2 Automatic Termination.

This Agreement shall terminate, and the obligations of the parties hereunder shall be discharged, if the Closing does not occur on or prior to October 31, 1999.


10.3 Schedules.

The parties hereby acknowledge that, as of the date of this Agreement, NATN has not provided CTN with any of the schedules that are required to be attached to this Agreement. CTN shall have the right, in its sole discretion, to terminate this Agreement if NATN has not provided CTN with true and complete copies of all such schedules within 60 days of the date hereof. Furthermore, once NATN provides CTN with true and complete copies of all such schedules, CTN shall have the right, in its sole discretion, to terminate this Agreement if CTN is not satisfied with its review of such schedules for any reason whatsoever.

10.4 Due Diligence

CTN shall have the right, in its sole discretion, to terminate this Agreement within 30 days of the date hereof if CTN is not satisfied with its "due diligence" review of the information it receives from NATN pertaining to the LEC Billed 1+ Assets.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first written above.


North American Telephone Network, L.L.C.

By: _____
Name:
Title:

CTN Telephone Network, Inc.

:
By: _____
Name:
Title:

Exhibit "B"
Financial Information

PACIFIC GATEWAY EXCHANGE, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(in thousands)

<TABLE>
<CAPTION>

(Unaudited)
March 31,
1999

ASSETS

Cash and cash equivalents	\$ 25,39
Accounts receivable, net of allowance for doubtful accounts of \$4,763 in 1999 and \$4,312 in 1998	- 84,90
Prepaid expenses	2,06
Income taxes receivable	2,28
Deferred income tax	1,48
Other current assets	-----
Total current assets	116,12
Property and equipment:	
Undersea fiber optic cables	36,51
Long distance communications equipment	62,61
Computers and office equipment	11,02
Leasehold improvements	3,06
Construction in progress	4,91
Cable construction in progress	15,95

	134,08
Less: accumulated depreciation	20,33

Total property and equipment, net	113,74
Deposits and other assets	10,51

Total assets	\$ 240,38 =====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:	
Accounts payable	\$ 111,40
Accrued liabilities	4,80
Income taxes payable	4,19
Line of credit	12,70
Other liabilities	92

Total current liabilities	134,03
Other non-current liabilities	1,96

Total liabilities	135,99 =====
Stockholders' Equity:	
Common stock	65,81
Additional paid in capital	(4,51)
Deferred compensation-restricted stock	(92)
Foreign currency translation	44,41
Retained earnings	(40)
Common stock held in treasury, at cost	-----
Total stockholders' equity	104,38

Total liabilities and stockholders' equity	\$ 240,38 =====

Exhibit "C"
Sample Customer Notice

(Form Letter)

North American Telephone Network, L.L.C.

International Exchange Communications,
Inc.

(Customer Name)

(Address)

Dear Customer:

On _____, International Exchange Communications, Inc. ("IECOM") and North American Telephone Network, L.L.C. ("NATN") entered into an agreement whereby, subject to the regulatory approval, the telecommunications assets of NATN will be acquired by IECOM, and IECOM will become your telecommunication service provider.

This change in ownership will not affect or in any way disrupt your current service. No charges or fees will be imposed and no rate increase will occur as a result of this transaction. The toll free Customer Service number will remain the same and if you have any questions, please call one of our Customer Service Representatives at _____.

You understand that you are free to choose another long distance carrier. If you should choose another carrier, you may be assessed a charge by your local telephone service provider.

We at International Exchange Communications are pleased to welcome you to our team and would like to express our appreciation for allowing us the opportunity of being your telecommunication service provider. We are confident that you will be pleased with the high quality of our service.